

INTERNAL REVENUE SERVICE
District Director

Department of the Treasury

[REDACTED]

Date: FEB 16 1994

[REDACTED]

Employer Identification Number:

[REDACTED]

Case Number:

[REDACTED]

Person to Contact:

[REDACTED]

Telephone Number:

Dear Applicant:

This is in reference to your application for exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code.

In a previous contact made with your organization, you were informed that it was our opinion that you did not qualify for exemption from Federal income tax as an organization described in section 501(c)(3) of the Code. We have previously informed you of your rights of appeal in this matter and, if you were in agreement with our conclusions, we requested that you execute an agreement Form 6018.

You have indicated your agreement to our conclusion that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(3) of the Code by executing and returning the Consent to Proposed Adverse Action Form 6018.

Accordingly, we conclude that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(3) of the Code and, furthermore, contributions made to you are not deductible by the donors for Federal income tax purposes.

The appropriate state officials will be notified of this action as required by section 6104(c) of the Code.

Sincerely yours

[REDACTED]

District Director

INTERNAL REVENUE SERVICE
District Director

Department of the Treasury

[REDACTED]

Date: December 1, 1993

[REDACTED]

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Dear Taxpayer:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated under the Idaho Nonprofit Corporation Act. We were unable to read the date stamp so we are not sure as of the date of incorporation.

Your Articles of Incorporation state your purposes as the following:

A. To promote, encourage, stimulate and foster among young women in the [REDACTED] area an interest in scholarship, physical fitness, the creative and performing arts, and poise and appearance through the award of educational scholarships to qualified contestants of the [REDACTED] of the year Scholarship Pageant;

B. To provide for the administration, supervision, control and conduct of the [REDACTED] Pageant;

C. To provide for the the administration, supervision, control and payment of the college scholarships;

D. Charitable, religious, educational, or scientific within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under such Section 501(c)(3).

E. To exercise all powers granted by law necessary and proper to carry out the above-stated purposes, including but not limited to the power to accept donations of money, property, whether real or personal, or any other thing of value. Nothing herein contained shall be deemed to authorize or permit the Corporation to carry on any business for profit, to exercise any power, or to do any act that a corporation formed under the Act, or any amendment thereto or substitute therefor, may not at that time lawfully carry on or do.

On the form 1023 you completed seeking application, you list your activities as an Annual Scholarship program produced with contestants performing for the public as well as the judges. Contributions/donations are solicited from local area residents to provide scholarships. All volunteer program is conducted by the volunteers every spring. You also indicate that you will not use professional fundraisers and that all benefits will go towards any/all young women in the 11th grade in [REDACTED].

On Schedule H (Attachment to form 1023) you indicate that the Judges of the contest will determine all recipients, with the Winner receiving \$[REDACTED]; 1st Runner up \$[REDACTED]; the remaining [REDACTED] runners up \$[REDACTED]; Spirit Award \$[REDACTED]; Scholastic Achievement \$[REDACTED]; Fitness \$[REDACTED]; Presence \$[REDACTED]; Composure \$[REDACTED]; Creative and Performing Arts \$[REDACTED]; Music Award \$[REDACTED] and all girls \$[REDACTED].

It appears as if you are running a beauty/talent pageant.

Section 501(c)(3) of the Internal Revenue Code of 1986 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(3) Corporations, and any community chest, fund, or foundation organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office)"

The Income Tax Regulations applicable to section 501(c)(3) of the Code provide that an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If it fails to meet either the organizational or the operational test, it is not within the purview of the statute.

Miss Georgia Scholarship Fund, Inc. v. Commissioner, 72 Tax Court 267 (1979) provides that an organization whose only activity was awarding scholarships to contestants in a beauty pageant did not qualify for exemption under section 501(c)(3) of the Internal Revenue Code. All contestants, as a condition of receiving a scholarship, were required to sign a contract that obligated them to abide by pageant rules if selected to participate in the Miss America Pageant.

The court concluded that the scholarships did not qualify for exemption under section 117 of the Code and the organization did not qualify for exemption under section 501(c)(3) of the Internal Revenue Code because they were awarded in consideration of contractual obligations.

The information presented in your application states that your purpose is to promote interest in scholarships, fitness, etc. In order to receive the scholarship the contestant must participate in the pageant. The amount of scholarship is based upon how one finishes in the competition. Based upon all of the above, it appears that your scholarships are compensation to the contestants and not a true scholarship.

Your organization is not exempt because your resources must be devoted to a purpose that is exclusively charitable, educational, or religious within the meaning of section 501(c)(3) of the Internal Revenue Code.

Accordingly, it is the position of the Internal Revenue Service that your organization is not exempt from taxation under section 501(c)(3) of the Internal Revenue Code. You are required to file income tax on form 1120.

If you are in agreement with this proposed determination, we request that you sign and return form 6018. Please note that the instructions for signing the form are on the reverse of the form.

If you are not in agreement with this proposed determination, please submit your position : giving facts, law and any other information to support your position, not later than December 22, 1993.

If you have any questions, please contact me at [REDACTED]

Sincerely,

[REDACTED]
EO Specialist